

Message Text

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ACTION EUR-12

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TO SECSTATE WASHDC 1489

SECDEF WASHDC

INFO AMEMBASSY ROME

USCINCEUR

AMEMBASSY THE HAGUE

UNCLAS ATHENS 9234

ROME FOR RCAA; THE HAGUE FOR MILNER DUNN

E.O. 11652: N/A

TAGS: MASS EAIR EIND EFIN BEXP BMEP GR US

SUBJECT: SIGNING OF CONTRACTS SETTING UP NATIONAL AVIATION
EQUIPMENT INDUSTRY

REF: ATHENS 3329

1. REPRESENTATIVES OF WESTINGHOUSE, GENERAL ELECTRIC, AUSTIN, AND LOCKHEED TODAY SIGNED THEIR RESPECTIVE CONTRACTS WITH THE GOG FOR THE CREATION OF THE NATIONAL AVIATION EQUIPMENT INDUSTRY (EBAY). SIGNING FOR THE GOG WERE MINISTER OF COORDINATION PAPALIGOURAS, MINISTER OF DEFENSE AVEROFF, AND MINISTER OF FINANCE DEVLETOGLOU. IN REMARKS FOLLOWING THE SIGNING, PAPALIGOURAS SAID THAT THIS PROJECT WOULD LEAD TO GREATER AUTONOMY FOR THE HELLENIC AIR FORCE WHICH WOULD NO LONGER NEED TO GO ABROAD FOR MAINTENANCE SERVICE. HE ALSO LOOKED FORWARD TO THE DAY WHEN, THROUGH EARNINGS FROM THE SERVICING OF FOREIGN AIRCRAFT, EBAY WOULD BE FINANCIALLY SELF-SUFFICIENT. HE WENT ON TO THANK THE USG FOR THE \$25 MILLION FMS CREDIT ALREADY GRANTED, AND EXPRESSED THE HOPE FOR ADDITIONAL US FINANCING IN THE FUTURE

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2. THE PROJECT ITSELF WILL COST APPROXIMATELY \$130-\$150 MILLION, WITH ONLY \$37 TO \$30 MILLION IN LOCAL DRACHMA COSTS. EBAY IS SLATED TO BEGIN OPERATION IN 30 MONTHS. IN THE INITIAL STAGE OF OPERATION, EBAY SHOULD SAVE THE GOG ABOUT \$30 MILLION PER YEAR IN MAINTENANCE PERFORMED IN GREECE INSTEAD OF ABROAD. WHEN IN FULL OPERATION (APPROXIMATELY FOUR YEARS HENCE) THE PROJECT SHOULD SAVE GREECE ABOUT \$60 MILLION PER YEAR

3. ALTHOUGH EACH FIRM SIGNED AN INDIVIDUAL CONTRACT WITH THE GOG, LOCKHEED IS GENERALLY ACKNOWLEDGED AS THE LEADING FIRM SINCE ITS CONTRACT COVERS MANAGEMENT SERVICES, AS WELL AS INSTRUMENTATION AND AIR FRAME REPAIRS. THE GE CONTRACT COVERS ENGINE MAINTENANCE, THE WESTINGHOUSE CONTRACT COVERS AVIONICS, AND THE AUSTIN CONTRACT COVERS OVERALL PLANT DESIGN

4. IT IS CLEAR THAT THE MOST IMPORTANT CONSIDERATION IS BRINGING THESE LONG (ALMOST SEVEN YEARS) NEGOTIATIONS TO A CLOSE WAS THE PRESSURE CAUSED BY THE HELLENIC AIR FORCE'S MODERNIZATION PROGRAM, AND THE ADDITION OF MANY NEW AIRCRAFT TYPES TO ITS INVENTORY
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